

# UK Autumn 2025 Budget: Expected Tax Changes and Impacts

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## Executive Summary

The upcoming Autumn 2025 UK Budget (scheduled for 26 November) is expected to bring significant tax changes as the government grapples with a sizable fiscal shortfall. Facing an estimated £50 billion hole in the public finances, Chancellor Rachel Reeves has signalled that “everyone will have to contribute” – even if it means breaking previous pledges not to raise major taxes.

Key measures anticipated include the first income tax rate increase in half a century (a 2*p* rise in the basic rate is widely discussed), alongside higher taxes on wealth, property transactions, and business profits. Those likely to be most affected are higher earners and wealthy individuals (through income tax, capital gains and inheritance tax reforms), homeowners with expensive properties, and certain business owners (via changes to partnerships and reliefs).

At the same time, there may be some relief for households (for example, a possible VAT cut on domestic energy) to ease cost-of-living pressures. The following report details the expected tax changes for individuals and small businesses, incorporating the latest credible reports and data as of November 2025.

## Tax Impacts on Individuals

### Income Tax

After months of speculation, an increase in income tax rates now appears likely. Reeves has pointedly refused to rule out raising income tax in her Budget, despite Labour’s manifesto promise to spare “working people” any hike. Analysts expect a 2 *pence* increase on the basic rate (from 20% to 22%), which would mark the first rise in the base income tax rate in roughly 50 years. This alone could raise on the order of £20 billion in revenue. There is also discussion of a 5*p* increase on the higher rate (from 40% to 45%), with a similar uplift for the top additional rate band. Such changes would primarily impact middle- and higher-income earners across the board, since a 2*p* basic-rate rise affects **all** taxpayers above the personal allowance (broadening the burden beyond just the wealthy). Higher and additional-rate payers would shoulder even more if their rates rise to 45% or 50%, respectively, on top of years of “stealth” threshold freezes that have already dragged more people into those bands.

These income tax measures aim to shore up public finances but come with trade-offs. The National Institute of Economic and Social Research (NIESR) projects that a 2*p* basic-rate hike would trim

economic growth slightly – potentially knocking about 1 percentage point off GDP growth in 2026. Even so, NIESR and other influential think tanks argue this is one of the least damaging ways to raise revenue of the scale needed, compared to alternatives like big VAT or corporation tax rises. Indeed, NIESR has warned that without decisive action on tax, Reeves is on course to miss one of her self-imposed fiscal rules by ~£38 billion by 2029-30, leaving debt on an unsustainable path. An income tax increase – however politically difficult – is seen as a necessary “hard choice” to restore fiscal credibility.

**Who is most affected?** A basic-rate rise will be felt by the vast majority of working individuals through lower take-home pay. That includes many lower- and middle-income earners (though the lowest-paid who earn under the tax-free allowance remain unaffected). In absolute terms, those with higher incomes will pay the most extra tax, especially if the higher (40%→45%) and additional (45%→50%) rates are raised in parallel. For context, a 5p increase on the 40% higher rate would raise an estimated £10 billion and primarily hit upper-middle earners, while a similar 5p on the top band above £150k yields only around £0.5 billion (reflecting the much smaller number of additional-rate taxpayers). Breaking the long-standing political taboo on raising income tax underscores the broad-based nature of the adjustment – a signal that even “working people” will contribute to closing the fiscal gap.

Notably, some policy experts have suggested **rebalancing** the burden between income tax and National Insurance to soften the impact on pay. The Resolution Foundation (a think tank close to the government) proposed cutting employee National Insurance contributions (NICs) by 2p and adding that 2p to income tax instead. The idea is that taxing via income tax hits all forms of income – including dividends, rent, and pensions – not just wages, thus “levelling the playing field”. Such a shift could raise an extra £6 billion while protecting take-home pay for workers to some extent. It remains to be seen if Reeves will adopt this approach.

Another likely move is **extending the freeze on income tax thresholds**. The influential Fabian Society has urged extending the current freeze (due to end in April 2028) by two more years. This stealthy measure would drag more people into higher brackets as wages grow, potentially raising ~£12 billion without an explicit rate hike. In summary, a combination of explicit rate rises and continued threshold freezes on income tax is expected, with broad implications for individual taxpayers – especially professionals and middle/high earners.

## National Insurance

National Insurance contributions (NICs) are also under the microscope in this Budget. During the election, Labour vowed not to raise NIC, VAT or income tax rates, but that pledge has effectively been shelved as economic realities set in. In an unusual pre-Budget statement, Reeves pointedly *did not* rule out increases to NIC or other taxes, saying she’d make the “necessary choices” given the changed

economic backdrop. While no across-the-board hike to employee NIC has been confirmed, a few targeted NIC measures are being considered:

- **NIC on Self-Employment and Rental Income:** One idea is to align tax treatment of different income streams by extending NIC to forms of income currently exempt. For example, The Times reported that **landlords' rental profits** may face NIC for the first time. Rent is now largely exempt from NIC, but Reeves is weighing an 8% levy on rental income (mirroring the main Class 4 NIC rate for the self-employed). This would treat rental income more like earned income and could raise an estimated £2.3 billion annually. Such a change would directly affect buy-to-let landlords and others with significant rental yields, effectively reducing their net rental returns. Similarly, there have been calls to raise Class 4 NIC rates for **self-employed** individuals (currently 9% up to a profit threshold) to parity with employees' NIC, though no specific rate has been floated publicly. Aligning NIC across employment types would increase contributions from self-employed professionals, many of whom pay a lower effective rate than employees.
- **Employer NIC and the LLP Loophole:** The government has already **increased employer NIC** (the rate companies pay on employee wages) from 13.8% to **15%** as of April 2025. However, partners in certain business structures – notably **limited liability partnerships (LLPs)** – currently **avoid employer NIC** entirely, since they are treated as self-employed. Reeves views this as an unfair loophole and is expected to close it. In practice, she may impose a new NIC charge on LLP partnership profits, likely somewhat below the full 15% employer rate. Roughly 190,000 people work in LLPs (common among lawyers, accountants, consultants and some doctors), and ending their exemption could raise around £1.9 billion a year. This move is framed as ensuring those with the “broadest shoulders” pay their fair share, since many partners enjoy very high incomes (City law firm partners often earn six or seven figures annually). However, it has prompted **fierce pushback** from professional firms and investors. The Law Society warns that law and accountancy partnerships already lack certain tax breaks (e.g. investment reliefs) that corporations get, and adding a ~15% NIC charge will hit their competitiveness. A coalition of start-up venture capital funds likewise cautioned that taxing LLPs could make UK innovation funding “commercially unviable” and drive talent offshore. (Many VC and private equity funds are structured as LLPs for tax purposes.) Despite these complaints, Treasury officials are in talks about proceeding with the LLP NIC change, possibly carving out traditional GP partnerships to spare NHS doctors. If implemented, senior professionals in LLPs – high-earning lawyers, accountants, consultants, and investors – will see a notable jump in their tax bill (their profit share would incur a new ~10–15% charge to fund the NHS/benefits, where previously it did not).

Apart from these specific measures, broad **NIC rate hikes for employees** or employers are less certain. With income tax rises already on the table, Reeves may avoid also raising the main employee NIC rates in tandem, to limit the hit on workers' pay. However, continued **freezes to NIC thresholds**

(the earnings level at which NIC kicks in) are likely, meaning as wages grow, more income gets subjected to NIC over time – an indirect tax increase. One other potential reform is removing the NIC exemption for working pensioners (currently people over State Pension age do not pay NIC on earnings), though there's been no explicit reporting on this for the 2025 Budget. In summary, National Insurance changes in this Budget seem targeted at closing loopholes and expanding the base (landlords, partners, etc.) rather than an across-the-board rate jump for all employees. High-earning professionals using partnership structures and individuals with substantial rental or self-employed income should be prepared for new NIC burdens if these proposals go ahead.

## Value Added Tax (VAT)

VAT has been another focus of pre-Budget speculation, although any changes here involve balancing revenue needs against cost-of-living concerns. Reeves initially pledged not to raise the 20% standard VAT rate, but she has declined to reaffirm that promise more recently. **A headline VAT rate hike** is generally seen as politically toxic and inflationary – raising it would directly increase consumer prices. Indeed, NIESR warned that relying on a VAT rise would stoke inflation as businesses pass on the cost. For now, most analysts think Reeves will *avoid* an outright rise of the standard rate above 20%. Instead, any VAT-related measures are likely to be more targeted:

- **VAT on Previously Exempt Goods/Services:** The Chancellor could consider expanding VAT into areas that have been zero-rated or exempt. One notable example already enacted is **private school fees**, which will become subject to the standard 20% VAT from January 2025. (This policy, announced earlier, ends a long-time exemption and is expected to raise hundreds of millions from families using private education. Some wealthier parents even tried paying fees upfront before 2025 to avoid the new VAT.) Likewise, Labour has indicated it would remove VAT exemptions on *private healthcare* and *non-domestic fuel for commercial use*, though details are scant for this Budget. There has also been media speculation that **zero-rated essentials** (like most food, children's clothing, books) could be partially taxed – but this would be highly controversial due to the disproportionate impact on lower-income households. Sky News noted that Reeves "*sparked rumours*" simply by refusing to rule out ending some zero or reduced VAT rates. In theory, applying even a small VAT rate to currently zero-rated items or scrapping reduced rates (5%) on things like home energy would raise significant revenue. However, such moves would clash with the government's stated goal of improving living standards.
- **VAT on Energy Bills:** In fact, rather than raising VAT on energy, one mooted measure is to **cut** it. Government sources suggested they may **scrap the 5% VAT on domestic energy bills** (electricity and gas) to help households facing high costs. Energy is one area where reducing VAT is politically attractive – it provides visible relief on bills and could slightly ease inflation. The cost to the Treasury of zero-rating household energy would be substantial, but there's

precedent (energy was VAT-free before 1994). If this happens, it would benefit virtually all consumers by saving 5% on their utility bills, especially welcome during winter.

- **VAT Threshold for Small Businesses:** A notable change on the *business side* of VAT (affecting individuals indirectly through prices and business growth) could be **lowering the VAT registration threshold**. The UK's current threshold (around £85,000 annual turnover) is one of the highest in the world. Reports suggest the Treasury might **sharply reduce the threshold**, possibly to £30,000, to pull many more small businesses into the VAT net. This would prevent small firms from staying just below £85k to avoid charging VAT, thereby increasing tax receipts. However, tax experts warn that lowering the threshold could also fuel inflation and administrative burden: many local shops and services would have to start charging VAT (raising prices for consumers) or face compliance costs, and some businesses might cap their growth to stay below a lower threshold. This idea, associated with Treasury minister (and ex-Resolution Foundation head) Torsten Bell, remains speculative but is being "considered" as a longer-term revenue strategy.

In summary, *major* VAT changes in this Budget may be limited. A hike in the 20% rate appears unlikely given its broad impact. Instead, expect **selective VAT extensions** (e.g. continuing with newly VAT-able private school fees) and possibly **consumer-friendly tweaks** like energy VAT relief. If any base-broadening on essentials were attempted, it would be framed as hitting luxury or non-critical items to avoid public backlash. Overall, consumers shouldn't see an immediate VAT rate shock, but certain groups (private school parents, possibly other currently exempt sectors) will feel the effect of VAT changes already set in motion.

## Capital Gains Tax (CGT)

Capital Gains Tax is widely expected to face further reforms in the Autumn 2025 Budget, as part of a broader effort to tax wealth and investment income more heavily. Reeves's first budget (in 2024) already raised CGT rates, but not as dramatically as some anticipated. The main CGT rates were increased from **10% to 18%** (for basic-rate taxpayers) and **20% to 24%** (for higher-rate taxpayers). These changes, effective from April 2025, aligned the CGT on financial assets with the rates that previously applied only to residential property gains. Now all assets incur CGT at 18% or 24% (depending on your income level). Even with those hikes, CGT remains well below income tax rates, and the Treasury is looking at further measures such as:

- **Rate Increases or Alignment with Income Tax:** One option on the table is to **raise CGT rates closer to income tax rates**. In extreme form, this could mean taxing capital gains at the same rates as wages (e.g. 20%/40%/45% brackets, or higher if those rise). More likely, it might involve introducing a single higher CGT rate for all gains – for instance, matching the old property rate of 28% for everyone – or some intermediate step. Analysts caution, however, that very steep CGT hikes can backfire. HMRC itself estimated that a hypothetical +10%

increase on the CGT higher rate could actually *reduce* revenue by £2 billion by 2027/28 due to behavioural responses (people deferring or avoiding asset sales). The Institute for Fiscal Studies (IFS) likewise argues that CGT's design issues need holistic reform, not just rate hikes. If a substantial rate rise is announced, the Chancellor might pair it with relief for inflationary gains (indexation or tapering of gains held long-term) to blunt the impact – though that adds complexity.

- **Removing CGT Exemptions on Property:** Another potential game-changer is **extending CGT to main residences above a certain value**, ending the long-standing principal private residence exemption for high-end homes. Over the summer it was reported that homes sold for more than **£1.5 million** could lose their full CGT exemption. Under this proposal, any gain above that threshold would be taxed at the standard CGT rates (18%/24% at present) when the house is sold. This would effectively function as a targeted “*mansion CGT*”. The idea here is to tap into the enormous capital appreciation many expensive property owners have enjoyed, thereby raising revenue from asset-rich households without technically raising income tax, VAT or NIC. Estimates suggested such a move (combined with other property tax tweaks) could raise on the order of £30–40 billion over several years. It would, however, be a radical shift – no UK government has ever taxed primary home sales gains. If implemented, it primarily hits owners of luxury properties, especially in London and the South East. Property industry experts warn it could “paralyse” the high-end housing market, deterring downsizing and liquidity. As an alternative, some have floated an **annual “mansion tax”** (an annual levy on costly homes’ value) or replacing **stamp duty** with a proportional property tax on sale – these fall under property taxes (see the *Property-Related Taxes* section below). In any case, the direction is clear: taxing property wealth is firmly on the agenda to help plug the fiscal gap.
- **Cutting CGT Reliefs and Allowances:** The Budget may also tighten various CGT reliefs:
  - The **CGT annual exemption** (the tax-free allowance for gains) has already been slashed to just £3,000 for individuals (from £12,300 two years ago). Removing it entirely is conceivable. However, with such a low current level, abolishing the exemption would yield only modest extra revenue (and would mean even small gains on shares or personal property become reportable).
  - **CGT Uplift on Death:** Under current law, when someone dies, any capital gains on their assets are wiped out – the heir inherits at the market value as of the death (so no CGT is due on pre-death gains). This “*step-up basis*” is seen as overly generous by some experts. The IFS points out it costs the Treasury around £1.5 billion in foregone tax. The Budget could remove this uplift, meaning either treating death as a CGT event (so gains are taxed at death) or at least carrying over the original cost basis to heirs. The challenge is avoiding double taxation when **Inheritance Tax** also applies on the same asset. One compromise idea: deny the CGT step-up *only* for assets that are exempt from IHT (for example, assets that qualified for business property relief). That would

ensure very wealthy estates don't escape both taxes entirely, without double-taxing those who pay full IHT.

- **Business Asset Disposal Relief (BADR):** Formerly known as Entrepreneurs' Relief, BADR allows founders selling their business to pay a lower CGT rate on the first £1 million of gains. Reeves already watered this relief down – the rate on qualifying gains rose from 10% to **14%** (April 2025) and will climb to **18%** by April 2026. By 2026, the “entrepreneurs' rate” will essentially equal the normal basic CGT rate. There is speculation the Chancellor might **scrap BADR entirely or cut the £1m lifetime limit**. The IFS estimated abolishing BADR could raise about £1.5 billion a year. Such a move would upset many small business owners and start-up entrepreneurs, who argue the relief rewards risk-taking and investment. Business lobby groups have been urging the Treasury not to go further after last year's change – warning that removing this incentive could dampen business creation and expansion. Nonetheless, given the revenue needs, further restriction of BADR is a real possibility. Entrepreneurs planning to sell soon might try to accelerate transactions to lock in the 14% rate before April 2026 or before any abolition.
- **Other CGT tweaks:** We might see the end of some niche CGT breaks. For instance, “**Hold-over**” relief (which defers CGT on gifts of business assets or gifts into trust) could be curtailed, meaning more immediate CGT due when assets are transferred. Also, currently **personal possessions (“chattels”) under £6,000** and **wasting assets** (like vintage cars, art, wine) are exempt from CGT – these exemptions could be limited for high-value items. Finally, if property values keep rising, the Chancellor might consider a cap on the value of a **principal residence** eligible for full CGT exemption (if not tackling it via the £1.5m idea). For example, only the first, say, £1–2 million of a home's gain might remain exempt.

*Timing and impact:* Any CGT changes could be made effective from the start of the next tax year (6 April 2026). However, the government is wary of a year-end sell-off: if you announce today that CGT rates will jump next year, many investors will rush to sell assets beforehand, which can distort markets and even *bring forward* revenue (as happened when CGT was raised in 2010). There is a chance some changes (especially rate hikes or relief abolition) might take **immediate effect** from Budget day, to prevent avoidance. Already, wealth managers report that many clients have **crystallised gains in advance** of this Budget in expectation of higher CGT. If further rises are confirmed, those who haven't acted will face higher tax on future asset sales. In sum, the CGT outlook is for higher taxation on capital income and fewer loopholes. Investors, second-home owners, and business sellers will all feel the squeeze if these policies materialize, as the government looks to tax capital gains more like ordinary income and capture more revenue from Britain's substantial wealth holdings.

## Inheritance Tax (IHT)

**Inheritance Tax** changes are anticipated as part of the drive to tax wealth more effectively. In a notable move, Reeves has already targeted long-standing IHT reliefs for business and agricultural property, and further reforms to gifts and exemptions are on the horizon:

- **Capping Business & Agricultural Reliefs:** In her first budget (2024), Reeves announced that **Business Property Relief (BPR)** and **Agricultural Property Relief (APR)** would be *capped* from April 2026. Currently, these reliefs often allow family businesses and farms to pass to the next generation *completely free* of IHT. Under the new rules, up to **£1 million** of combined business/farm assets can still be passed tax-free, but any value above £1m will get only 50% relief – effectively imposing a **20% IHT rate** on the excess (since the standard 40% rate  $\times$  50% relief = 20%). This change ends the 100% tax exemption previously enjoyed by many large family enterprises. The Office for Budget Responsibility projected the reform will eventually net the Treasury about **£500 million per year** in extra revenue, with roughly **2,000 more estates** paying IHT or paying more tax after 2027-28. Those affected include wealthy farming families and owners of sizable companies who previously planned to pass businesses intact without IHT. The move has already provoked outrage among agricultural and entrepreneurial circles – thousands of farmers **protested** in London, fearing a threat to generational family farms. One Kent business owner illustrated the impact: his ~£20 million marine company could face a £4 million IHT bill under the new rules, forcing difficult decisions. In response, many are acting now to mitigate the hit, as described below.
- **“Gifting” Rush and Seven-Year Rule Changes:** Anticipation of tighter IHT rules has prompted a **surge in lifetime gifting** by the wealthy. Currently, any lifetime gifts are fully exempt from IHT if the donor survives **7 years** after the gift (with tapered tax relief for 3–7 year survival). This encourages long-term estate planning via gifts. However, the Treasury is reportedly considering **reforming the seven-year rule** – possibly extending it to *10 years or more*, and/or abolishing the tapering relief. Another idea under study is a **lifetime cap on tax-free gifts**, perhaps around **£100,000** total per person. Above such a cap, any gifts would immediately incur an IHT charge (or at least no longer be exempt after 7 years). These potential changes have led estate planners to advise clients: *“use the current rules while you can.”* Advisors report that wealthy parents are **rushing to transfer assets** and ownership shares to children decades earlier than planned. One example cited is splitting shareholdings and gifting £1m to each child now, to take advantage of the 7-year clock before it possibly lengthens or gifts are capped. Trust structures are also being employed as workarounds – some families are moving assets into trusts ahead of the rule change, which triggers different tax rules (e.g. a periodic 6% charge on trust assets above the allowance) that can be preferable to an immediate 20%

hit on death. In short, an “**IHT gifting rush**” is underway, as high-net-worth individuals try to lock in today’s more lenient regime before new restrictions arrive.

- **Other IHT Measures:** Additional inheritance tax tweaks are possible:
  - The **nil-rate band** (the first £325,000 of an estate taxed at 0%) has been frozen since 2009 and could be kept frozen further, dragging more modest estates into IHT as house prices grow. Labour has given no indication it would raise this allowance.
  - The separate **residence nil-rate band** (an extra £175,000 allowance for passing a home to direct descendants) might be reviewed. Some policy experts (including now-Treasury adviser Torsten Bell) have previously suggested scrapping this complicated relief, which mainly benefits wealthier homeowners. Removing it would simplify IHT and generate additional tax from larger estates.
  - As noted above, the **seven-year gift rule** could be overhauled: extending the period to 10+ years, and/or instituting a **lifetime gift allowance** (~£100k) beyond which gifts are taxed immediately. The taper relief that reduces tax on gifts made 3–7 years before death is also “understood to be under review”.
  - There were even rumours earlier in the year about a possible “*wealth tax*” or one-off levy on very high net worth individuals (though nothing concrete has emerged on that front). The focus instead seems to be on beefing up existing taxes like IHT and CGT.

*Who is most affected by the IHT changes?* Predominantly the **wealthy and asset-rich**. The clampdown on business and farm reliefs directly targets multi-million-pound family enterprises and estates that have historically paid little or no IHT. These owners now face potentially large tax bills (20% on the excess value) when transferring the business to heirs. The mooted gift rule changes will similarly affect high-net-worth families who have the means to give substantial assets during life. Middle-class households — those whose main asset is a family home and a few investments — could also get caught if thresholds remain frozen and home values stay high, but the headline measures are aimed at the top end. If the primary residence CGT or “*mansion tax*” ideas go ahead (blurring the line between IHT and capital gains on property), owners of £2m+ houses would face new tax liabilities either at sale or annually. The overall thrust is that **inheritance and wealth transfers will carry higher taxes going forward**, reducing the scope for large untaxed legacies. This has set off a flurry of estate planning activity: as one advisor quipped, “It’s a great time to be a rich kid in Britain”, since parents are gifting aggressively now to beat the rule changes. For those who can’t act in time, the Budget may close several loopholes, meaning more estates — especially large ones — will pay IHT in the coming years.

## Pensions and Savings

Rumours are rife that pensions and savings incentives – often viewed as generous to higher earners – could be trimmed to raise revenue. While no sweeping overhaul is confirmed, several specific changes are expected or under consideration:

- **Tax-Free Pension Lump Sum Cap:** Currently, retirees can withdraw **25% of their pension pot tax-free** (the pension commencement lump sum). With the pension Lifetime Allowance effectively abolished, wealthy individuals could in theory take very large sums tax-free. This has become a prime target. It's speculated that Reeves may **cap the tax-free lump sum** at a fixed amount (for example, around £250,000, which was 25% of the old £1m lifetime allowance). In fact, civil service proposals listed a cap on the lump sum as a way to raise over £2 billion annually. The *mere possibility* of this change has already prompted behaviour: UK wealth managers report a **surge in clients withdrawing cash from pensions** ahead of the Budget. Six of Britain's ten largest investment firms noted more people taking their 25% tax-free lump sum now, fearing that rule will soon be less generous. If the Budget does impose a cap or reduction (say lowering the tax-free portion from 25% to 20%), it will mainly affect those with big pension pots who planned large withdrawals. Average retirees with smaller pensions may still be within whatever cap is set, but higher earners could lose a valuable tax perk on their retirement savings.
- **Pension Tax Relief Reform:** The **income tax relief on pension contributions** (currently given at one's marginal tax rate) is costly to the Treasury and skews toward higher earners (who get 40% or 45% relief on their contributions). The Institute for Fiscal Studies calls the system expensive and regressive. An oft-mentioned reform is moving to a **flat-rate pension relief** for everyone, around 30%. This would mean basic-rate taxpayers get a bigger incentive (30% instead of 20%), but higher-rate taxpayers would get less relief (30% instead of 40%/45%). Such a change could save money overall or be re-distributed to boost lower earners' pensions. It's unclear if this will feature in Autumn 2025 – it's complex and doesn't provide immediate cash to the Exchequer (it could even cost money in the short term if they don't cut higher relief immediately). However, given Labour's emphasis on fairness, **flattening pension relief** is a live policy discussion. If not implemented now, it may be signaled for future budgets.
- **Annual and Lifetime Limits:** As noted, the previous government removed the **Lifetime Allowance (LTA)** on tax-free pension accumulation, but Labour indicated they would likely reinstate some limit. Instead of restoring the old LTA (£1.073m), they might choose the lump sum cap as a simpler method (addressed above). The **Annual Allowance** (currently £60,000 contributions per year) could also be trimmed for top earners, but no strong rumors on that for this Budget specifically.
- **Individual Savings Accounts (ISAs):** ISAs allow up to **£20,000** per year of savings to grow free of tax. There were rumours over the summer that the **ISA annual limit** might be cut in half to £10,000, potentially as a way to nudge savings into spending (thus boosting short-term tax revenue on consumption) or simply to curtail a tax shelter mainly used by the better-off. The *Financial Times* reported Reeves was considering this cut. In response, some MPs warned that

reducing ISA allowances could have unintended effects, like pushing savers towards other investments or even raising mortgage costs if banks lose deposits. While it's uncertain if this will be in the final Budget, savers should be aware the generous £20k ISA cap is no longer sacrosanct.

- **Other Savings and Investment Taxes:** The Chancellor may look at taxes on **dividends and interest**. Dividend taxation was increased in recent years (the top rate is 39.35%) and the tax-free dividend allowance is being cut to just £500 in April 2025. Given planned income tax hikes, it's possible dividend tax rates will also inch up or at least move in tandem, to discourage shifting income into dividends. Another lever is the taxation of **interest on savings**: currently most people have a personal savings allowance (£1,000 for basic-rate taxpayers) that makes bank interest effectively tax-free up to that amount. Reducing this allowance could raise a bit of revenue from those with large interest income (though with low interest rates previously, it wasn't a big source). With interest rates now higher, the Treasury could consider tightening that allowance to capture more tax on interest earnings.

In summary, pension and saving incentives for the well-off are likely to be trimmed. High earners nearing retirement should pay close attention to any cap on tax-free pension withdrawals – a change there is increasingly expected, and indeed many are acting preemptively. Similarly, the wealthy may have fewer avenues to shield income from tax via ISAs or high-rate pension relief going forward. These measures won't dramatically affect low and middle-income savers (who often don't max out ISAs or have huge pensions), but they signal a shift: the Budget is aligning with the principle that those with greater wealth in pensions and investments should contribute more to the nation's finances.

## Property-Related Taxes (Homeowners and Landlords)

Property taxation is set to undergo notable changes, as the government seeks to tap into property wealth and also address housing market issues. Several proposals are in play, targeting both high-value homes and landlords:

- **Stamp Duty and Property Sales Tax:** One early rumor (reported in August) was that the Treasury might **replace Stamp Duty Land Tax with a new tax on home sales**. The idea would be a fundamental shift: *sellers* of property, rather than buyers, would pay the tax, and it could be structured as a national property levy. For example, owner-occupiers selling houses worth more than £500,000 might pay a tax proportional to the value on sale. This would lighten the upfront burden on buyers (potentially helping first-time buyers) while taxing the often-substantial capital gains of long-time owners when they cash out. It could also be paired with a plan to eventually replace **Council Tax** with a more proportional local property tax based on current values. However, such reforms are complex and unlikely to be implemented overnight. If mentioned, it may be as a consultation or long-term strategy rather than an immediate change. In the short term, no major increase to *buyer's* stamp duty is expected (recent

governments have tended to cut or exempt stamp duty for lower-valued properties to stimulate transactions). But luxury property transactions could be indirectly hit by other measures like CGT on high homes or annual levies.

- **“Mansion Tax” – Annual Levy on Expensive Homes:** Within government, there’s been debate over introducing an **annual property tax on high-value homes** (popularly dubbed a “mansion tax”). One proposal reportedly under consideration is a 1% yearly charge on the portion of a property’s value above £2 million. Another think tank idea (from Onward) suggested graduated rates: e.g. **0.5% per year on value above £500k, rising to 0.8% above £1m**. These would fundamentally alter how home ownership is taxed, moving toward wealth-tax style recurring charges. The Treasury is divided on this – such a tax could raise billions (property represents a huge share of UK wealth) and targets those with the broadest shoulders, but it is politically sensitive and could hit asset-rich but cash-poor individuals (like elderly owners of London homes). As of now, the “mansion tax” remains a possibility, with reports of an internal “battle” over it. If introduced, it would chiefly affect owners of high-end properties in areas with expensive real estate. We may see a downscaled version or a pledge to consult on this in future rather than a full rollout in 2025.
- **Capital Gains Tax on Primary Residences:** As noted in the CGT section, **removing the full CGT exemption on principal homes above a threshold (e.g. £1.5m)** is a concrete proposal being weighed. This would directly hit owners of expensive houses when they sell, effectively taxing part of their windfall from long-term house price appreciation. It’s designed to raise large sums (£30–40bn was cited) without breaching the manifesto pledge on raising *income tax, VAT or NIC*. If enacted, homeowners in the luxury bracket would need to keep records of their purchase prices and improvements, as any gain beyond the £1.5m mark would face 18%/24% tax (or higher if CGT rates rise). This measure, together with an annual mansion tax or stamp-duty swap, represents a clear policy direction: shifting some tax burden onto property wealth.
- **Landlords and Rental Properties:** Buy-to-let landlords are squarely in the crosshairs this Budget. We already discussed the plan to levy **NIC on rental income** (8% Class 4 NIC on profits) which would reduce landlords’ net yields. In addition, the government could tighten **capital gains on second properties**. Currently, selling a rental or second home incurs 18% CGT (basic rate) or 28% (higher rate). Since general CGT rates are now unified at 18/24%, it’s unclear if property still carries a 28% rate for higher-rate taxpayers – after the 2024 changes, it may not. But if any differential remains, they might eliminate it or even set a *higher* CGT rate specifically for disposals of investment properties to discourage flipping. Another possibility is changing **Private Residence Relief** rules such that people who rent out a home they once lived in get less relief when selling. However, these are minor compared to the NIC change and the overarching CGT reform for high-value homes.
- **Residential Investment and Housing Market:** There is acknowledgement that heavier property taxation could have side effects. Critics warn that taxing home sales or adding annual levies might dissuade older homeowners from **downsizing**, thus reducing housing market

fluidity. It could also slow high-end sales, with knock-on effects for the property industry. The government may attempt to mitigate this by exempting certain scenarios or introducing transitional reliefs. On the other hand, removing some tax advantages for landlords (who currently don't pay NIC and have other past benefits like interest deductions curtailed) is intended to level the field between buy-to-let investors and ordinary homebuyers. The Budget is also expected to address a prominent welfare-related housing issue: **the two-child benefit cap** is likely to be lifted or eased, which, while not a tax, relates to housing affordability for larger families on benefits.

In conclusion, **property owners – especially at the high end – should brace for higher taxes.** The wealthy homeowner might face a combination of new CGT on sale and possibly an annual charge, fundamentally changing the tax calculus of owning a £2m+ residence. Landlords will likely see their tax bills rise via NIC on rental income, and they already face tightened profit margins from prior measures. First-time buyers and average homeowners might not see direct tax hikes on their level of property, but they could indirectly benefit if reforms make the system fairer (for example, shifting stamp duty to sellers could help buyers). As always, any dramatic property tax changes may be phased in or subject to consultation given their complexity. The direction, however, is clear: property wealth will no longer be as lightly taxed as before, as the Treasury looks to this sector for revenue in 2025 and beyond.

## Tax Impacts on Small Businesses

### Corporation Tax

Small businesses have already been adjusting to a higher Corporation Tax (CT) environment, after the main rate was raised to **25%** (from 19%) in April 2023 under the previous government. The Autumn 2025 Budget is not expected to raise the headline corporation tax rate further, as the government is wary of harming the UK's investment climate. In fact, Rachel Reeves has indicated she views **income tax rises** as less economically damaging than further hikes to corporation tax, which “discourages investment leading to permanently lower GDP”. Thus, we anticipate the main rate stays at 25% for now. However, there may be adjustments or targeted measures within the corporation tax regime:

- **Small Profits Rate / Marginal Relief:** Currently, companies with profits under £50,000 enjoy a lower effective CT rate (19%) and a marginal taper up to £250,000. There has been little talk of changing these thresholds, but Treasury could consider tweaking them to pull more profit into the full 25% rate if seeking additional revenue from the business sector without an official rate hike.
- **Sector-Specific Surcharges:** Banks and energy companies have been subject to special taxes (e.g. the Bank Corporation Tax Surcharge and the Energy Profits Levy). Capital Economics analysts predict that **banks** in particular may “bear the brunt” of tax rises to fill part of the gap.

One idea floated by the Institute for Public Policy Research is a **levy on banks' extraordinary profits from Quantitative Easing reserves**, which could raise £7–8 billion a year. The OBR noted that speculation about such a “QE windfall tax” caused bank stocks to dip in late August. If implemented, that would hit large banks, not small businesses – but it’s relevant context that the government might seek some revenue from big corporates or specific industries rather than across the board.

- **Digital and E-commerce:** While not explicitly flagged in recent reports, the idea of an **online sales tax** or equalizing the tax burden between online retailers and high street shops has been around. Any measures here (like a small levy on online sales or higher business rates for warehouses) would indirectly affect small e-commerce businesses. However, no concrete proposal is expected in this budget; it’s more likely to be addressed via business rates (discussed below) or consultations.

In summary, small companies should not see a change in the headline corporation tax they pay. The main concern for many will be **indirect**: if their owners face higher personal taxes on dividends (see next section) or if the economic environment (slower growth due to tax rises on consumers) affects their profits. One possible silver lining is if the Chancellor introduces any growth incentives alongside tax hikes – for instance, enhanced investment allowances or R&D credits to support SMEs. There’s mention that Reeves does not want to “return to austerity” and instead will try to pair fiscal tightening with a growth strategy. We will watch for any business-friendly offsets (though the fiscal room for them is limited).

## Dividend Taxation and Owner Compensation

Small business owners, particularly those trading as limited companies, often pay themselves via **dividends**. Changes to personal tax rates on dividends and company profits can alter the optimal way owners remunerate themselves. In this Budget, a few relevant points emerge:

- **Dividend Tax Rates:** Dividend income currently is taxed at 8.75% (basic rate), 33.75% (higher), and 39.35% (additional) after the £1,000 (falling to £500) dividend allowance. While not explicitly confirmed, if income tax rates on salaries rise, it’s plausible that **dividend tax rates will also be adjusted upward** to maintain some parity. The government will be conscious of not encouraging mass shifts from salary to dividends to dodge a higher income tax rate. In the past, dividend tax rates were often kept a bit lower than wage tax to account for corporation tax already paid, but with CT at 25%, the combined tax on dividends for a higher-rate taxpayer is already around 50% effective. A small increase (say, 1–2 percentage points on each band) could be considered. More significantly, by raising the **basic income tax rate**, Reeves is inherently also taxing many small company owners’ dividend income at a higher rate, because their dividends fall under income tax. (This is why think tanks like the Resolution Foundation prefer using income tax over NIC: it catches dividends, rental, etc. in the net.) So a 2p rise in

basic rate means an automatic 2p more on basic-rate dividend income as well, unless explicitly decoupled.

- **Dividend Allowance:** The tax-free dividend allowance is already being cut to **£500** (from £2,000 two years ago) in April 2025, due to a previously enacted policy. The Budget could scrap this allowance entirely, forcing every pound of dividend to be taxed. However, given it's already quite low, the additional revenue would be minor and it would add paperwork for those with very small holdings. We might see a simplification where the allowance is eliminated but low-level dividend earners are spared through PAYE coding – details to watch.
- **Incorporation vs. Self-Employment:** The differential tax treatment of company owner-directors (who can take dividends) versus sole traders (who cannot) has long been debated. The Chancellor's moves suggest a trend toward *narrowing* that gap:
  - **Higher corporation tax (25%)** plus dividend taxes have reduced the advantage of incorporation.
  - **NIC on self-employed** (if aligned upward) reduces the benefit of remaining self-employed.
  - If she also raises dividend taxes or lowers the dividend allowance, the once-attractive route of paying a tiny salary and large dividends for minimal NIC could yield diminishing returns. Owner-managers of small companies might re-calc their tax-efficient pay strategy after the Budget. Some might even question whether to **disincorporate** if, for instance, a partnership structure becomes relatively more tax-efficient (though with the LLP NIC changes, partnerships are also being leveled up in tax).
- **Family Businesses and BADR:** Many small business owners eventually plan to sell their company and use **Business Asset Disposal Relief (BADR)** to reduce CGT. As discussed in the CGT section, BADR's future is uncertain – it's already been curtailed (14% rate rising to 18% by 2026) and could be abolished or capped further. The *psychology* of this matters for small businesses: the incentive of a lower tax on the "exit" may encourage entrepreneurship. Removing it might prompt some owners to bring forward sales or to invest less in growth, according to critics. Entrepreneur groups have lobbied hard to retain BADR, arguing that scrapping it would "send the wrong signal" to start-ups. The Treasury must weigh £1–2 billion revenue versus those concerns. At minimum, if BADR remains, its value will soon be just a 6% tax saving (18% vs 24% CGT) – far less generous than the original 10% rate, so the landscape for owner exits has already shifted.
- **Salary vs. Dividends vs. Pension:** Post-Budget, small business owners may reconsider how they draw income:
  - Taking more **salary** (deductible expense) could be less attractive if employer NIC stays high at 15% and income tax rises.
  - **Dividends** avoid NIC but will be taxed more if rates rise and allowance falls.
  - Contributing to a **pension** (and drawing later) might remain one of the most tax-efficient plays, especially if high-rate relief is still available at ~40%. However, any

reduction to pension tax relief or limits (e.g. lowering annual allowance) could constrain this.

- Some might explore setting up as an **LLP** if that remains beneficial – but as we saw, LLPs are now facing an NIC levy too, eliminating their key advantage.

In summary, small business owners should be prepared for slightly higher taxes on the income they extract from their companies. The era of low tax on dividends is ending, and with both corporation tax and dividend tax up, the **total tax rate on company profits distributed to an owner** could easily exceed 50%. This squeezes the take-home payoff of running a business, although it's still important to remember that profits retained and reinvested in the business face 25% corporation tax (which is historically not extreme). Advisers will likely be helping owners navigate these changes, possibly adjusting mixtures of salary, dividend, pension contributions, or even business structure to optimize under the new rules.

## VAT Thresholds and Changes

VAT can be a significant administrative and financial concern for small businesses. Two key aspects to watch in the Budget are the **VAT registration threshold** and any **sector-specific VAT reliefs or schemes**:

- **Lowering the Registration Threshold:** As mentioned earlier, the UK's VAT registration threshold (c. £85,000 annual turnover) may be substantially reduced. For a small business, being below the threshold means not charging VAT on sales (which can be an advantage when serving consumers or non-VAT-registered clients). If the threshold were cut to, say, £50k or even £30k, *thousands* of very small businesses – sole traders, contractors, boutique retailers, etc. – would be pulled into the VAT system. They would have to start adding 20% VAT to their prices (unless eligible for a special flat rate scheme), which could make them less competitive or force them to absorb the cost. It also means more paperwork and compliance costs for those businesses. The trade-off from the Treasury's view is a broader tax base: currently many businesses deliberately cap their growth around ~£80k to avoid VAT. A lower threshold could discourage that distortion but also might create a similar distortion at a lower level. If Reeves announces a threshold cut, it would most likely be effective from the next tax year and possibly phased. Small firms would need support to adjust, and one can expect some protest from business associations (the Federation of Small Businesses has historically opposed lowering the threshold, warning it can act as a "tax on growth").
- **Cash Accounting and Schemes:** The Budget could contain tweaks to VAT schemes that help small businesses, such as the **VAT Flat Rate Scheme** or **Cash Accounting Scheme**, which simplify VAT for those under certain limits. If a lot more businesses are forced to register, the government might expand access to simplified schemes to ease the burden. For example, currently you can use cash accounting (pay VAT only when paid by customers) if turnover <

£1.35m – that likely stays. The flat rate scheme (with fixed percentage of turnover as VAT) applies up to £150k turnover; no indication of changes, but any threshold adjustments might also revise these limits upward to keep them aligned.

- **Sector VAT Reliefs:** Some small businesses benefit from targeted VAT reductions (e.g. hospitality had a temporary 5% rate during Covid). There's no strong sign of new reduced rates in this Budget (apart from possibly zero VAT on domestic fuel which helps consumers broadly). If anything, a reversal – like adding VAT to currently exempt fees (private tuition, etc.) – could rope in small providers into charging VAT. For instance, if private tutoring or certain professional services lost an exemption, sole traders in those fields would have to start charging VAT. Again, no specific rumor beyond private schools (which are typically larger institutions).

In essence, **small businesses might find more of them need to deal with VAT after this Budget.** It underscores a theme: the tax net is widening. While the big companies already comply, it's the micro-businesses and one-person enterprises that could be newly caught by rules that previously didn't apply. On the positive side, registering for VAT also means one can reclaim VAT on business expenses, which can help some firms. But for those selling mainly to the general public (who can't reclaim VAT), it effectively forces a price hike or margin squeeze. We will look to the Budget documents for any provisions to mitigate this, such as gradual introduction or carve-outs.

## Employment Taxes and Employer NICs

For small and medium employers, **employment taxes** (PAYE, National Insurance, etc.) significantly affect staffing costs. The Autumn 2025 Budget will likely solidify changes already signaled in this area:

- **Employer NIC:** As discussed, employer National Insurance Contributions have risen to **15%** (from 13.8%) on most employee earnings above ~£9,100/year. That increase took effect in April 2025, raising costs for every employer, large or small. There is no indication of a further general increase beyond 15%. However, the new **LLP partner NIC** plan can be seen as analogous to extending employer NIC to those businesses. For a traditional small business (limited company or sole trader with staff), the main consideration is that their NIC bill is already higher this year due to that 15% rate. There could be some relief or adjustment for very small employers – e.g. the **Employment Allowance** which currently gives eligible small employers £5,000 off their NIC bill – might be preserved or even increased to offset the higher rate for the smallest firms. The Budget hasn't flagged this, but it's a lever Reeves could use to show support for small businesses hiring staff.
- **Apprenticeship Levy & Training:** Companies with payroll over £3 million pay the 0.5% Apprenticeship Levy. No changes flagged here, but small businesses under that threshold are unaffected anyway. If anything, the government might reallocate unspent levy funds or

encourage small firms to take advantage of transferred funds for training – not a tax change per se, but relevant to the cost of employment.

- **IR35 and Off-Payroll Working:** While not explicitly in Budget previews, any mention would be significant for small businesses that use contractors. Labour had criticized some aspects of the current IR35/off-payroll rules. If Reeves wanted to ease business burdens, they might simplify those rules. However, given the revenue hunt, it's unlikely they'll loosen compliance on disguised employment. More likely, HMRC will step up enforcement to ensure businesses aren't using loopholes to avoid PAYE/NIC.
- **Minimum Wage and Other Costs:** Though outside direct taxation, budgets often confirm minimum wage rises recommended by the Low Pay Commission. A higher minimum wage (rumoured to be around £11 an hour) would raise wage bills for small firms, effectively another cost. Similarly, changes in statutory holiday, sick pay, etc., can incrementally increase costs. The Chancellor may mention such measures as part of "living standards" focus. Small businesses will have to incorporate those changes, even as they deal with tax adjustments.
- **Alignment of Employment Taxes:** A noteworthy reform being mulled, as noted, is making **partners in partnerships pay an equivalent to employer NIC**. For SMEs structured as partnerships (like medical practices, small law firms, consultancies), this is a new expense. If your small business is a partnership *but not* an LLP (e.g. a general partnership of consultants), the Treasury has hinted it *might* try to exempt non-LLP partnerships to spare (for example) NHS GP surgeries. But if they cannot cleanly do that, even traditional partnerships could face an employer-NIC-like charge. This would be a notable shift, treating partnerships more like corporate employers in tax terms.

Overall, for most small **employers**, the key message is: labour costs have risen due to higher employer NIC, and there isn't much relief coming. Businesses will need to budget for the 15% NIC going forward (less the £5k allowance if applicable). If you operate via an LLP or partnership, be prepared that you might lose the historical NIC advantage – effectively raising the tax cost of each partner or member's profit share. Engaging staff or contractors might also see incremental compliance tightening, as HMRC seeks to ensure everyone who should be on payroll is on payroll. Employers will certainly hope for no *new* surprises like another NIC hike, and current indications suggest the focus is instead on closing gaps (like LLPs) rather than increasing the standard rates again.

## Business Rates

Business rates (the property tax on commercial premises) have been a longstanding pain point for small businesses, especially retailers with physical shops. While business rates reform is often discussed, the Autumn 2025 Budget is unlikely to overhaul the system dramatically given the revenue needs. Key points for small businesses:

- **Multiplier and Inflation:** Normally, the business rates **multiplier** (tax rate on a property's rateable value) would rise with inflation each year. In recent years, governments frequently froze or capped this increase to help businesses. If Reeves is looking for revenue, she *might* allow the multiplier to increase by inflation in April 2026. However, UK CPI inflation has been high (though falling now), and a large jump would be burdensome. The Chancellor may choose to continue some form of relief here to avoid piling on costs for high-street businesses, especially given the simultaneous tax rises elsewhere. The Budget might announce a **freeze or smaller uplift** to the multiplier as a support measure for businesses, at a cost to the Treasury that could be justified politically.
- **Reliefs:** Small Business Rates Relief (SBRR) currently gives 100% relief to properties with rateable value under £12,000 (tapering to £15k). It's expected this will continue, shielding the smallest shops and offices from any rates bill. Additionally, retail, hospitality, and leisure businesses have been receiving a percentage relief (e.g. 75% off rates in 2023–24 up to a cap) as part of post-Covid support. The Budget will clarify whether such targeted reliefs will be extended. Given the strain on bricks-and-mortar retailers, an extension of the **high street relief** is plausible, even as the government raises other taxes. This would benefit small shop owners, pubs, cafes, etc., by reducing one of their fixed costs.
- **Long-Term Reform:** Labour had signalled in opposition that it wanted to reform business rates (potentially replacing them with a different system). In this Budget, heavy structural reform is unlikely while they focus on immediate fiscal issues. However, there may be a nod to ongoing review or a pilot of land value tax for business property. Don't expect any immediate replacement of rates – they bring in too much revenue (~£25bn/yr) and any alternative would take time. So small businesses should plan on the current system remaining, with hopefully some reliefs to soften the impact.

In summary, relative to other tax changes, **business rates might see a status-quo or slightly positive outcome for small firms** in this Budget. If inflation indexing is moderated and reliefs sustained, many small premises will continue to pay little to no rates. That said, underlying frustrations (like the fact that offline businesses shoulder a property tax while online businesses often don't) remain. The Budget's main thrust is taxing profits and income; property-based taxes on businesses are secondary here, aside from the mention of possibly shifting some burden to online sectors or through the property taxes on expensive real estate.

### Business Asset Disposal Relief (Entrepreneurs' Relief)

Business Asset Disposal Relief (BADR) – the tax break on selling a business – is a focal point for entrepreneurs and investors. As detailed under the CGT section, BADR has been *dialled back* and may face further restriction:

- **Current State:** For qualifying business disposals (typically one's own company or partnership trade), the first £1 million of lifetime gains is taxed at a special rate (currently **14%**, rising to **18%** from April 2026) instead of the normal 24% CGT. This was previously a 10% rate and was known as Entrepreneurs' Relief.
- **Potential Changes:** The Autumn Budget could **eliminate the reduced rate entirely**, meaning all gains would be taxed at standard CGT rates. Alternatively, the relief might survive but with a **lower lifetime cap** (perhaps £500k or less) so only a smaller portion of gains get the break. Another scenario is leaving the rate at 18% for now (since by 2026 it aligns with basic CGT anyway) but abolishing it in a future budget once CGT rates might be higher.
- **Impact:** If BADR is scrapped, any small business owner selling up will pay the full CGT rate on their gains. For higher-rate taxpayers that could be 24% (or more if rates increase). While still lower than income tax rates, it's a substantial jump from the cherished 10% ER of yesteryear. The **Institute for Fiscal Studies** noted ending BADR could yield ~£1.5bn/year, indicating a lot of tax savings currently go to entrepreneurs who use it. The government's argument would be that this mainly benefits a relatively small number of business owners upon exit, whereas that revenue could fund broader programs. The counter-argument from business groups is that BADR rewards long-term investment and risk – encouraging people to start and grow businesses which create jobs and economic activity. They also point out many entrepreneurs count on the sale of their business to fund retirement, and a higher tax on that reduces their reward after years of reinvesting profits.
- **Recent Addendum Developments:** There have been murmurs of **pushback from entrepreneurs and investors** on any further BADR cuts – adding to voices already unhappy about last year's changes. Startup advocates warn that continually tightening the screw on exit taxation could make the UK less attractive for founding a business or for venture capital investors (who consider the post-tax return for founders). However, given the public and media focus, BADR changes haven't been as high-profile as, say, income tax or IHT – which suggests the Chancellor might quietly include a BADR tweak without huge fanfare, expecting limited political blowback outside the business community.

Small business owners considering selling in the next few years should pay close attention to what the Budget announces here. If BADR is to be abolished or reduced, there may be transitional rules or an effective date (perhaps immediate to prevent a rush of sales). Those nearing a sale might accelerate deals if possible. On the flip side, if nothing is mentioned, BADR at 18% will still be in place through 2026, albeit much less lucrative than before. In summary, **entrepreneurs' tax relief is hanging by a thread**. The Autumn 2025 Budget could be the moment it's significantly curtailed, affecting the after-tax proceeds entrepreneurs will keep when they exit their businesses.

## Other Business-Specific Measures

Finally, there are a few other noteworthy measures and signals that don't neatly fall into the categories above but are relevant to businesses:

- **“Settling-Up” Exit Tax:** A novel proposal reportedly under consideration is a **“wealth tax” on individuals who leave the UK** – dubbed a *“settling-up charge”*. Treasury officials have looked at imposing a one-time 20% tax on the unrealized gains or assets of wealthy individuals who emigrate. This is inspired by similar exit taxes in other G7 countries and could raise an estimated £2 billion. For business owners, this is relevant if you ever plan to relocate abroad after building a business. It means you couldn't avoid UK tax on your business's growth by simply moving overseas before sale; you'd get hit with a charge on departure. While primarily targeting the ultra-rich (to prevent “tax exiles”), it's a signal that the net is tightening on avoidance via migration. If introduced, it would align the UK with the US (which taxes citizens renouncing citizenship on their assets) and others. We'll see if this makes it into the Budget – it might be announced in principle with details to follow.
- **Research & Development (R&D) and Investment Incentives:** The government has been running an enhanced R&D tax credit scheme for small and medium enterprises, albeit with some rate trimming recently and anti-fraud measures. If Reeves is keen to show she's “pro-growth even in a crunch,” she might maintain or slightly boost R&D incentives. For instance, there's talk of a new **“step-up” investment relief** for companies that increase capital expenditures or adopt green technologies, though nothing concrete is confirmed. Small innovative businesses will hope for at least stability in the existing reliefs (the last Budget merged some R&D schemes and introduced a higher credit for R&D-intensive firms). We expect no major cuts here, since it's not a big revenue source and is key to innovation policy.
- **Regulatory Changes (non-tax):** The Budget may include mention of initiatives like a new “Scale-up Britain” unit to support high-growth firms. This is more industrial policy than tax, but relevant to entrepreneurs. It's a bit at odds to encourage innovation while simultaneously taxing VC and partnerships more, and indeed the *Startup Coalition* letter to Reeves pointed out this contradiction. We might see some concessions or carve-outs to mitigate that – for example, perhaps *excluding venture capital LLPs* from the new NIC charge or offering some relief back to VC funds to offset the blow. The Chancellor has been urged to differentiate venture capital from general private equity in tax treatment due to its public interest role in funding innovation.
- **Making Tax Digital (MTD) and Administration:** The government's digitisation of tax (MTD for income tax, etc.) has been delayed for small businesses. The Budget could touch on timelines for these compliance requirements, which matter to small firms' planning. Any extension or change in scope (for example, increasing the threshold for MTD for Income Tax) would be welcomed by many sole traders and landlords who aren't ready for mandatory software-based quarterly reporting.
- **Environmental Levies:** Not directly small-business tax, but if any green taxes or carbon pricing changes occur, SMEs in affected sectors (transport, manufacturing) could feel it. One rumour

is removing the 5% VAT on energy bills for households; to fund that, they might consider tweaking other energy levies or removing some exemptions for businesses. It's speculative, but keep an ear out if you're in energy-intensive operations.

- **Welfare and Labor Market:** The Budget's social measures – like adjusting the two-child benefit cap or investing in childcare – can indirectly affect businesses by influencing workforce participation and consumer demand. Lifting the two-child limit could increase disposable income for some families (potentially more spending at local businesses). Investments in childcare might help small employers by enabling more parents to join the workforce or work longer hours. These knock-on effects aren't immediate taxes but are relevant to the small business economic environment.

## Conclusion

The Autumn 2025 Budget is poised to tighten tax policy on many fronts to fill the fiscal gap, with wealthier individuals and certain businesses bearing much of the load.

**Individuals** will likely see higher income tax and reduced reliefs on capital gains, inheritance, and pensions – changes largely aimed at those most able to pay (higher earners, landlords, large estates, etc.), though basic-rate taxpayers will also contribute more via the broad income tax rise.

**Small businesses** will feel the effects through higher taxes on their owners' dividends and gains, a potential need to deal with VAT at lower turnover, and increased employment costs from earlier NIC rises. On the flip side, there may be targeted reliefs (energy VAT cuts, business rates support, etc.) to cushion some impacts.

All these expectations are based on credible reports and signals as of November 2025. When the Chancellor delivers the Budget, advisers and small business owners should review the fine print to understand the new landscape and adjust their tax planning accordingly, as the era of unusually low tax rates on income and wealth appears to be coming to an end.

**Noel Guilford**

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